

BUSINESS CONDITIONS

SEVENTH
FEDERAL



RESERVE
DISTRICT

EUGENE M. STEVENS, *Chairman of the Board and
Federal Reserve Agent*

HARRIS G. PETT, *Manager
Division of Research and Statistics*

JOHN H. MARTIN, *Asst. Federal Reserve Agent,
Detroit Branch*

CLIFFORD S. YOUNG, *Asst. Federal Reserve Agent*

GEORGE A. PRUGH, *Asst. Federal Reserve Agent*

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GENERAL SUMMARY

SEVERE winter weather since the first of the year tended to emphasize seasonal factors, which influenced to a considerable extent business trends in the district. Practically all activity, however, remained above the level of a year previous.

The production of automobiles declined somewhat during January from the exceptionally large volume of a month earlier, resulting in a moderate recession in new business in the steel industry; ingot production, however, after averaging 52 per cent of capacity in the middle of January, had risen to 60 per cent by the middle of February. January pig iron production registered a small decline, while output of steel and malleable castings increased. January shipments by furniture manufacturers declined more than seasonally, but orders booked recorded a heavy seasonal gain. Contract awards for building construction dropped from the December level, but were above the volume for any month since August 1931. The movement of building materials declined sharply during January. Employment and payrolls in manufacturing industries decreased moderately from the preceding month—a seasonal trend.

Packing-house commodities produced and sold in January exceeded those of the closing month in 1935, and both production and dollar sales were greater than a year ago. Butter production in the district increased slightly during the month, although sales registered a decline and both were below the corresponding month in 1935. The manufacture of

Wisconsin cheese expanded over the preceding month, while sales, though likewise totaling greater than in December, failed to record the customary excess over current manufacture and fell considerably below a year ago. Marketing of wheat, corn, and oats continued in less than seasonal volume during January; reshipments of the last-named, however, were above average.

The distribution of commodities at wholesale and retail registered seasonal declines in January from December, following the holiday trade. In the wholesale lines, the grocery trade which increased counter-seasonally was the only exception, hardware, drugs, and electrical supplies each showing decreases. Recessions in department store trade and chain store sales were seasonal in extent, while those in the retail shoe and furniture trades were greater than average for the month.

A further increase in holdings of U. S. Government securities together with a gain in holdings of other securities more than offset declines in loans, so that total loans and investments of reporting member banks in the district increased somewhat during the five weeks ended February 19; demand deposits in these banks rose in the period, while time deposits remained practically unchanged. January sales of commercial paper in the Middle West declined, while new financing by means of bankers' acceptances increased, both contrary to seasonal trend. Money rates continued at low levels.

FEDERAL RESERVE BANK OF CHICAGO, SELECTED ITEMS OF CONDITION

(Amounts in millions of dollars)

	FEBRUARY 19, 1936	CHANGE FROM JANUARY 15, 1936	FEBRUARY 20, 1935
Total Bills and Securities.....	\$ 344.9	\$-1.1	\$-78.2
Bills Discounted.....	0.0	0	-0.2
Bills Bought.....	0.6	+0.0	-0.1
U. S. Government Securities.....	342.2	-1.0	-78.7
Total Reserves.....	1,386.0	-18.9	+304.7
Total Deposits.....	851.2	-26.5	+160.1
Federal Reserve Notes in Circulation.....	852.3	+14.9	+74.8
Ratio of Total Reserves to Deposit and Federal Reserve Note Liabilities Com- bined.....	81.3	-0.6*	+7.7*

*Number of Points.

Credit Conditions and Money Rates

Demand for currency in the Seventh Federal Reserve district increased more than 18 million dollars between January 15 and February 19, and inter-district transfers of funds for the account of banks and their customers effected a net outflow of 3 millions from this district during the five-week period. These factors considerably offset an excess of almost 19 million dollars in local Treasury disbursements over collections and a gain of approximately 10 millions in reserve

bank credit extended locally, representing for the most part "float." As a result, member bank reserve balances totaled only 6 million dollars greater during the period ended February 19 than five weeks previous. Changes in items affecting the use of Seventh district banking reserves are given in detail in the accompanying tabulation.

Changes between January 15 and February 19 in Factors Affecting Use of Federal Reserve Bank Funds—Seventh District.

(Amounts in thousands of dollars)

Reserve bank credit extended (exclusive of amounts to other districts)	+10,146
Commercial operations through inter-district settlements	-3,031
Treasury and National bank currency	+2,829
Total supply	+9,944
Demand for currency	+18,263
Member bank reserve balances	+6,030
Treasury cash and deposits at Federal Reserve Bank of Chicago	-16,100
Special and "all other" deposits	+814
Other Federal Reserve accounts	+931
Total demand	+9,944

Money rates have continued at low levels; down-town Chicago banks reported a range of $1\frac{1}{2}$ to 5 per cent as prevailing during the week ended February 15 on customers' commercial loans, which range had been reported for the corresponding week in January. Banks located in the down-town area of Detroit reported 2 to 5 per cent on loans of this classification during the week ended February 15, as compared with a range of 3 to 5 per cent in the week closing January 15. The average rate earned by down-town Chicago banks during the calendar month of January on loans and discounts was reported as 2.82 per cent, as against 2.83 in December and 2.95 in January 1935.

After having recorded a counter-to-seasonal expansion in the preceding month, dealer sales of commercial paper in the Middle West declined $24\frac{1}{2}$ per cent in January to a level $38\frac{1}{2}$ per cent under a year ago and $65\frac{1}{2}$ per cent below the 1926-35 average for the month. The usual January trend is a heavy gain over the final month of the preceding year. Borrowing eased somewhat during January, although demand remained about the same from both city and country banks, and as a result selling rates for the less well-known obligations firmed slightly and ranged from $\frac{3}{4}$ to 1 per cent. Other quotations were unchanged, prime short-term commercial paper selling at from $\frac{1}{2}$ to $\frac{3}{4}$ per cent and the bulk of sales moving at $\frac{3}{4}$ per cent. The lessened amount of financing likewise was reflected in a reduction in outstandings, the volume of which decreased $6\frac{1}{2}$ per cent from December 31, 1935, and aggregated less than for any reporting date since June 30, 1934. Sales in the first fifteen days of Feb-

ruary were 15 per cent greater than during the first half of January.

Mainly as a result of increased activity in the week ended January 29, operations of dealers in the Chicago bill market between January 16 and February 12 registered considerable improvement over recent periods. Although local purchases continued in very small volume, receipts from Eastern cities recorded a large increase and resulted in a gain of $124\frac{1}{2}$ per cent in total supply during the four weeks. Sales to out-of-town banks declined and were in the smallest volume in three years, but those to local institutions were the heaviest since February 14-March 13, 1935, so that total distribution equaled supply. Shipments to Eastern markets continued nil. Rates remained unchanged from the preceding period, ranging from $\frac{1}{8}$ to $\frac{3}{16}$ per cent.

Following a counter-seasonal decline during the final month in 1935, new financing by means of bankers' acceptances increased in January, contrary to the usual tendency, and was $8\frac{1}{2}$ per cent above the preceding month, though totaling $18\frac{1}{2}$ per cent below a year ago and $59\frac{1}{2}$ per cent under the 1926-35 average for the month. Reflecting contrary to seasonal gains in January over December in the direct discounting of these bills at originating banks as well as in the buying of other banks' bills, total purchases were in the greatest volume since July 1935. Sales, however, were nil during January and although maturities were somewhat greater than in December, bill holdings of accepting banks were 4 per cent greater on January 31 than on the closing date in December. The liability for outstandings at the end of January was slightly below the amount at the end of the year and $58\frac{1}{2}$ per cent under the 1926-35 average for January 31. In the first half of February, new financing by means of acceptance credits increased more than 100 per cent over the corresponding weeks of January, largely reflecting a greater use of funds for iron and steel, coal and coke, wood, and sugar.

TRANSACTIONS IN BANKERS' ACCEPTANCES AS REPORTED BY A SELECTED LIST OF ACCEPTING BANKS IN THE SEVENTH DISTRICT

	PER CENT CHANGE IN JANUARY 1936 FROM	
	DECEMBER 1935	JANUARY 1936
Total value of bills accepted	+8.4	-18.7
Purchases (including own bills discounted)	+32.6	-45.1
Sales	0	-100.0
Holdings*	+3.8	-58.6
Liability for outstandings*	-3.2	-16.7

*At end of month.

SECURITY MARKETS

Both the corporate and municipal bond markets were strong and active throughout January and higher price levels were attained by both classifications. Among the corporate issues, first-grade rails and high-grade industrials and utilities were especially strong. Second-grade rails continued the improvement shown in recent months. The high price of municipal bonds in

CONDITION OF LICENSED REPORTING MEMBER BANKS SEVENTH DISTRICT

(Amounts in millions of dollars)

	CHANGE FROM		
	FEBRUARY 19, 1936	JANUARY 15, 1936	FEBRUARY 15, 1935
Total loans and investments	\$2,880	\$ +43	\$ +438
Total loans on securities	236	-23	-72
To brokers and dealers:			
In New York	1	0	-39
Outside New York	32	-7	+3
To others (except banks)	203	-16	-36
Acceptances and commercial paper			
bought	30	0	-32
Loans on real estate	65	0	-5
Loans to banks	9	-1	-6
Other loans	360	+3	+40
U. S. Government direct obligations	1,677	+42	+425
Obligations fully guaranteed by U. S. Government	143	-1	+35
Other securities	300	+23	+53
Demand deposits—adjusted	2,090	+19	+347
Time deposits	759	+1	+78
Borrowings	0	0	0

VOLUME OF PAYMENT BY CHECK, SEVENTH DISTRICT

(Amounts in millions of dollars)

	PER CENT OF INCREASE OR DECREASE FROM		
	JAN. 1936	DEC. 1935	JAN. 1935
Chicago	\$2,728	-15.1	+12.0
Detroit	847	-12.4	+24.8
Milwaukee	249	-2.9	+13.5
Indianapolis	180	+2.7	+21.9
Total four larger cities	\$4,004	-13.2	+15.0
36 smaller cities	671	-5.0	+22.1
Total 40 centers	\$4,675	-12.1	+16.0

part reflected a scarcity of this class of investment. The volume of new offerings during January, though slightly below the final month in 1935, was considerably in excess of January last year. A large proportion of this new financing, however, continues to be for refunding purposes. According to local investment houses, buying is still rather narrowly confined to institutions, with little active participation on the part of individual investors. The upward trend of prices on the Chicago Stock Exchange continued throughout January and the first half of February. The average price of twenty leading stocks* amounted to \$53.55 on February 18 as compared with \$50.96 on the corresponding date in January.

*Chicago Journal of Commerce.

Agricultural Products

Despite a decline in numbers of most animals, except swine, and due to a sharp advance in prices during the past year, the total value of livestock on farms in the United States and in the Seventh district was much greater on January 1, 1936 than at the beginning of 1935. The extent of these changes is reflected in the following tabulation:

LIVESTOCK ON FARMS—JANUARY 1.				
Estimated by the United States Department of Agriculture (In thousands)				
	FIVE STATES INCLUDING SEVENTH DISTRICT		UNITED STATES	
	1935	1936	1935	1936
Number:				
Swine, including Pigs.....	15,951	14,011	42,541	39,004
Milk Cows and Heifers.....	6,506	6,666	25,622	26,236
Other Cattle and Calves.....	7,353	6,772	42,591	42,293
Lambs and Sheep.....	5,342	5,513	51,673	52,210
Horses and Colts.....	2,925	2,949	11,637	11,861
Mules and Mule Colts.....	271	277	4,685	4,822
Total Farm Value:				
Swine, including Pigs.....	\$238,140	\$104,922	\$ 539,561	\$216,196
Milk Cows and Heifers.....	369,944	213,491	1,260,193	790,386
Other Cattle and Calves.....	214,206	109,842	1,065,393	595,562
Lambs and Sheep.....	Not available		329,569	225,073
Horses and Colts.....	340,194	273,314	1,126,400	913,870
Mules and Mule Colts.....	32,547	27,544	564,186	478,998

*Two years old and over.

GRAIN MARKETING

The marketing of wheat in the United States showed less than a seasonal decline during January, as was also the case in December. Receipts of the grain at interior primary markets exceeded those of last January by 85 per cent but were 47 per cent below the 1926-35 average for the month; reshipments decreased 6 and 31½ per cent in the respective comparisons, though recording a smaller deficiency as compared with current receipts than is normal for January. Exports remained almost nil, and imports, while below December, were above a year earlier. Supplies of wheat on farms in the United States were greater on January 1, 1936 than at the beginning of 1935; visible supplies and the holdings in country mills and elevators, on the other hand, were less. Aggregate holdings in these three positions, therefore, were 1½ per cent smaller than a year earlier. Visible supplies of the grain declined between January 1 and February 15. Prices rose approximately 2½ per cent in January over December, although a downward trend was evident during the early part of February.

Following a counter-seasonal recession in December, receipts of corn at these primary points of accumulation declined more sharply than is usual for January to a level 35½ per cent below the 1926-35 average for the month but 117½ per cent in excess of the limited

volume of last January. Reshipments decreased in all three of these comparisons; however, they showed somewhat less than the usual January deficiency as compared with current arrivals. Though greater than in December, exports remained below the limited volume of a year earlier. Total stocks of corn in the United States were not only greater on January 1, 1936 than at the beginning of 1935 but also approximated the 1928-32 average for that date. On the other hand, supplies in public and private warehouses at principal points of accumulation on January 1 and February 15 showed a marked decline from a year earlier and the 1926-35 seasonal average.

Receipts of oats at primary centers in the United States rose counter-seasonally by 23½ per cent in January over December to a level 179 per cent above a year ago, and were within 25 per cent of the 1926-35 average for the month. Reshipments fell off more than ordinarily from December; they were 116 per cent above last January and 6½ per cent larger than this ten-year normal. Exports remained exceptionally light but increased over last January. Prices advanced 6 per cent in January over December. Visible supplies of oats in the United States declined on February 15 from a month earlier; they were, however, considerably greater than a year ago or the 1926-35 average for the date. The aggregate of visible supplies and farm stocks was 14½ per cent larger on January 1 than the 1928-32 average for the beginning of the year.

MOVEMENT OF LIVESTOCK

Following a smaller than seasonal recession in December from November, receipts of cattle and calves at public stockyards in the United States declined counter-seasonally in January by 1½ per cent from a month earlier to a level under a year ago and only 8½ per cent above the 1926-35 average for the period. Hog marketings gained to a much greater extent than is customary for January, after having recorded less than a normal expansion in December, and were not only in excess of any other month since December 1934 but 4 per cent above January 1935, though continuing much under the average for this time of year. Lamb receipts increased more than seasonally in January, continued in greater volume than a year earlier, and were within one per cent of the 1926-35 January average. The movement to inspected slaughter—inclusive of animals that did not pass through public stockyards—deviated somewhat from the trend of market receipts: the supply of cattle gained counter-seasonally over December, that of lambs exceeded the ten-year normal for January by 19½ per cent, and the excess of cattle and calves as compared with this 1926-35

LIVESTOCK SLAUGHTER

(In thousands)

	CATTLE	HOGS	LAMBS AND SHEEP	CALVES
Yards in Seventh District:				
January 1936.....	220	664	330	80
Federally Inspected Slaughter, United States:				
January 1936.....	906	3,428	1,540	465
December 1935.....	892	2,875	1,369	481
January 1935.....	978*	3,047	1,345	512*

*Inclusive of slaughter for relief agencies.

AVERAGE PRICES OF LIVESTOCK

(Per hundred pounds at Chicago)

	WEEK ENDED FEBRUARY 22, 1936	MONTHS OF JANUARY 1936	DECEMBER 1935	JANUARY 1935
Native Beef Steers (average).....	\$ 9.45	\$ 9.35	\$ 9.95	\$ 9.15
Fat Cows and Heifers.....	6.90	7.10	7.10	6.35
Calves.....	8.25	9.50	8.80	7.15
Hogs (bulk of sales).....	10.60	10.05	9.65	7.70
Lambs.....	9.85	10.35	11.10	8.65

average was larger in slaughter supply than in market receipts, whereas the decline in hogs was smaller.

The seasonal decline which had obtained since October in reshipments of cattle and lambs to feed lots, continued in January. Feeder calves moved in practically the same volume as in December. Reshipments of lambs showed a further marked recession from both a year ago and the 1931-35 average for the month. On the other hand, the movement of feeder cattle and calves exceeded this ten-year average, although that of cattle was below last January.

MEAT PACKING

The production of packing-house commodities at inspected slaughtering establishments in the United States rose $9\frac{1}{2}$ per cent in January over December, attaining a level above any month since December 1934. The January volume, moreover, was 13 per cent greater than commercial production of last January and $7\frac{1}{2}$ per cent larger than total production of that month, and also was within 15 per cent of the 1926-35 seasonal average. The sales tonnage increased $8\frac{1}{2}$ per cent over December, aggregating, however, somewhat less than current production, 6 per cent under a year earlier, and $17\frac{1}{2}$ per cent below the 1926-35 average for January. As the general price level of packing-house commodities declined from a month previous, notwithstanding the advance in veal and some beef cuts, the total value of sales billed to domestic and foreign customers was only 2 per cent larger than in December and 6 per cent in excess of last January, but within 4 per cent of the ten-year normal for the month. Improvement likewise was reflected in payrolls: the number of employes gained fractionally at the close of January over a month earlier, hours worked increased by $4\frac{1}{2}$ per cent, and wage payments rose $2\frac{1}{2}$ per cent; moreover, the declines from a year ago of 10 per cent in employes, 4 per cent in hours, and 5 per cent in wage payments, were less marked than in December. Inventories of packing-house commodities in the United States accumulated somewhat more than normally between January 1, 1936 and the beginning of February, though aggregating 226,144,000 pounds under the 1931-35 average for that date and 323,305,000 pounds smaller than on February 1, 1935.

Reflecting the increased forwardings of lard on consignment to the United Kingdom, shipments for export gained in January over December. British demand during the month, however, was scarcely fair for American lard and declined for United States hams. Continental inquiry for packing-house products from the United States failed to record a noticeable improvement over December. Cuban trade was light; some increase in business with Porto Rico was reported. With a continuance of keen competition from Poland, the Danube basin, and other areas on the Continent, prices of American lard in the United Kingdom remained slightly under replacement values in the United States. British quotations for United States hams were considerably below this Chicago parity. Inventories of United States packing-house commodities in foreign markets—inclusive of stocks in transit—increased on February 1, 1936 over the beginning of January.

DAIRY PRODUCTS

The manufacture of creamery butter in the Seventh Federal Reserve district expanded $3\frac{1}{2}$ per cent in January over December and was within 5 per cent of

a year ago; the aggregate, however, was 10 per cent under the 1926-35 average for the month. The sales tonnage decreased $8\frac{1}{2}$ per cent from December, $12\frac{1}{2}$ per cent from last January, and $5\frac{1}{2}$ per cent from the ten-year normal (1926-35), though exceeding the volume of current production. Manufacture of the commodity in the United States gained about 5 per cent in January over a month previous, fell short of the volume of a year ago by a small margin, and was fractionally less than the 1926-35 January average. Inventories of creamery butter in the United States declined somewhat more than the usual amount on February 1, 1936 from the beginning of January; while aggregating 14,869,000 pounds less than the 1931-35 average for the date, they exceeded by 2,631,000 pounds those of February 1, 1935. Prices rose approximately $1\frac{1}{2}$ per cent in January over December and showed further strength in February.

American cheese production in Wisconsin advanced $7\frac{1}{2}$ per cent in the five weeks ended February 1 over the preceding period to a level $52\frac{1}{2}$ per cent higher than in the corresponding weeks of 1935 and $30\frac{1}{2}$ per cent above the 1931-35 seasonal average. Though totaling $13\frac{1}{2}$ per cent larger than in the preceding five weeks, distribution of the commodity from primary markets of that State not only failed to record as great an excess over current manufacture as is customary at this season but also was 18 per cent less than a year ago and 3 per cent below this five-year average for the month. Total inventories of cheese in the United States decreased in a smaller than seasonal degree on February 1 from the beginning of 1936, aggregating 9,178,000 pounds in excess of a year ago and 16,898,000 pounds heavier than the 1931-35 average for February 1. Prices were reduced 6 per cent in January from December and continued to ease during the first half of February.

Industrial Employment Conditions

Seventh district industries made the usual adjustments in employment and payrolls during the early part of January, the former item decreasing $2\frac{1}{2}$ per cent and the latter 2 per cent from the corresponding figures of a month earlier. The declines were well dis-

EMPLOYMENT AND EARNINGS—SEVENTH FEDERAL RESERVE DISTRICT

INDUSTRIAL GROUP	WEEK OF JAN. 15, 1936			CHANGE FROM DEC. 15, 1935	
	REPORT- ING FIRMS	WAGE EARN- ERS	EARN- INGS (000 OMITTED)	WAGE EARN- ERS	EARN- INGS
	No.	No.	\$	%	%
Metals and Products ¹	1,383	355,684	8,698	-0.3	-2.0
Vehicles.....	284	329,595	9,479	-1.3	-0.9
Textiles and Products.....	305	56,102	981	+1.6	+1.1
Food and Products.....	672	56,935	1,997	-4.3	-2.7
Stone, Clay, and Glass.....	230	16,811	334	-3.9	-6.7
Wood Products.....	408	37,231	667	-3.6	-6.1
Chemical Products.....	206	25,574	649	-0.1	-0.1
Leather Products.....	128	26,401	505	-2.7	-3.8
Rubber Products.....	33	13,426	310	-0.7	-6.8
Paper and Printing.....	569	65,540	1,699	-2.2	-0.7
Total Mfg., 10 Groups.....	4,214	1,013,299	25,319	-1.2	-1.7
Merchandising ²	2,363	104,814	2,206	-15.9	-12.5
Public Utilities.....	155	88,930	2,799	+0.2	+2.7
Coal Mining.....	27	5,476	142	-0.1	+1.2
Construction.....	315	7,318	164	-1.5	+0.4
Total Non-Mfg., 4 Groups.....	2,865	206,538	5,311	-8.7	-4.3
Total, 14 Groups.....	7,079	1,219,837	30,630	-2.6	-2.2

¹ Other than Vehicles.

² Illinois, Indiana, and Wisconsin.

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tributed, affecting every major group within the manu-
facturing classification except the textile and clothing
industries for which a moderate rise was reported in
both employment and payrolls. Within the non-manu-
facturing classification, public utilities furnished an
exception to the general decline in both number of
workers and wage payments, and the coal mining and
construction industries also maintained payrolls at a
slightly higher level than in the preceding month.
These moderate gains, however, were more than off-
set by the sharp seasonal recession of the merchandis-
ing group, which brought employment in the non-
manufacturing division as a whole to 8½ per cent be-
low that of a month earlier and resulted in a curtail-
ment of 4 per cent in aggregate weekly payrolls. Both
the metals and the vehicles groups experienced a mod-
erate curtailment in employment and payrolls during
January, these being the first declines recorded since
last July in the former group and since September in
the latter. Food products, stone-clay-and-glass, wood
products, and leather products registered decreases in
line with the usual seasonal trend in these groups. Em-
ployment in the combined industrial groups aggregated
7 per cent higher in January this year than in the same
month a year ago, while payrolls totaled 17 per cent
larger.

It will be noted the accompanying table covers more
than 7,000 firms and over 1,200,000 workers, whereas
in prior months the firms have numbered approxi-
mately 5,000 and workers slightly more than 1,000,000.
Through the courtesy of the Indiana State Employ-
ment Service, much more complete returns for that
State are now made available to this bank, which have
been incorporated in the data presented in the table.

Manufacturing

AUTOMOBILE PRODUCTION AND DISTRIBUTION

January data on United States production of auto-
mobiles show output of 299,926 passenger cars and
67,326 trucks. The former represents a decrease of
13 per cent from December output and the latter an
increase of 6½ per cent. In the comparison with a
year ago, January production of passenger cars was
31 per cent and truck production 6 per cent larger.

As indicated in the table, wholesale distribution of new
automobiles in the Middle West showed rather heavy de-
clines during January from a month previous and a year
ago, while retail sales, though likewise falling off from
the level attained during the final month in 1935, showed
considerable gain over a year ago. Stocks of new cars
on hand increased substantially in both comparisons.

MIDWEST DISTRIBUTION OF AUTOMOBILES

Changes in January 1936 From Previous Months

	PER CENT CHANGE FROM		COMPANIES INCLUDED	
	DEC. 1935	JAN. 1936	DEC. 1935	JAN. 1936
New Cars				
Wholesale—				
Number Sold	-38.2	-15.8	19	18
Value	-38.7	- 8.9	19	18
Retail—				
Number Sold	-21.0	+16.6	37	36
Value	-19.6	+20.6	37	36
On Hand January 31—				
Number	+35.8	+134.3	37	36
Value	+31.0	+126.7	37	36
Used Cars				
Number Sold	- 5.6	+31.4	37	36
Salable on Hand—				
Number	+ 6.0	+47.3	37	36
Value	+ 2.1	+50.2	37	36

Used car sales, though totaling somewhat less in
number in January than a month previous, did not
record the heavy drop shown in new car sales, and
stocks in dealers' hands were only slightly greater than
at the end of December. Dealers reporting on deferred
payment sales showed these as amounting to 46 per
cent of the total value of cars sold by them, which
ratio compares with 45 per cent a month previous and
49 per cent a year ago.

IRON AND STEEL PRODUCTS

Steel mills in the Chicago district experienced a mod-
erate decline in orders and shipments during the first
month of the year, mainly on account of decreasing
activity in the automobile industry. A growing volume
of railroad buying and a continued steady demand
from miscellaneous sources were reported as gradually
offsetting the diminished automobile demand. Steel
ingot output, which averaged 52 per cent of capacity
in the middle of January, stood at 52½ per cent at the
close of the month, and had advanced to 60 per cent by
the middle of February. Pig iron production in the
Illinois and Indiana district totaled 3 per cent less in
January than in December but continued heavier than
in January a year ago by approximately 50 per cent.
Quotations on finished steel products remained un-
changed during January and early February, but the
scrap market was exceptionally strong. Some of the
advances in this market were attributed to the severe
weather conditions which restricted shipments.

Reports from Seventh district foundries, particu-
larly those manufacturing malleable castings, reflected
increased activity during January. Orders booked for
this latter type of castings increased 16 per cent, ship-
ments 7 per cent, and production 13 per cent over the
corresponding tonnage volumes of the preceding
month, each item gaining approximately 30 per cent
over January 1935. Steel casting foundries registered
little further gain in orders, following the substantial
expansions recorded during the two preceding months,
but the tonnage produced was 17 per cent heavier than
in December and about 54 per cent larger than in Jan-
uary 1935. Orders and shipments during the current
month exceeded those of a year ago by 33 and 45 per
cent, respectively.

The seasonal decline in the demand for stoves and
furnaces extended as usual into January, orders ac-
cepted showing a further drop of 1½ per cent and

LUMBER AND BUILDING MATERIALS TRADE

CLASS OF TRADE	JANUARY 1936: PER CENT CHANGE FROM		NUMBER OF FIRMS OR YARDS
	DECEMBER 1935	JANUARY 1936	
Wholesale Lumber:			
Sales in Dollars	+10.9	+38.4	12
Sales in Board Feet	+7.0	+17.7	9
Accounts Outstanding ¹	+3.1	+27.7	11
Retail Building Materials:			
Total Sales in Dollars	+15.4	+34.6	166
Lumber Sales in Dollars	-36.0	+19.1	53
Lumber Sales in Board Feet	-12.7	+39.2	65
Accounts Outstanding ¹	-10.2	+9.7	159
RATIO OF ACCOUNTS OUTSTANDING ¹ TO TOTAL DOLLAR SALES DURING MONTH			
	JANUARY 1936	DECEMBER 1935	JANUARY 1935
Wholesale Trade	156.3	168.2	169.4
Retail Trade	250.2	324.1	307.1

¹End of Month.

shipments one of 47 per cent in that month. Molding-room operations declined 35 per cent but continued about 18 per cent heavier than a year ago. Inventories, which increased 7 per cent over a month earlier, were slightly lower than at this time last year.

FURNITURE

As is usual in January, orders booked by furniture manufacturers of the Seventh district registered a sharp expansion, the volume rising approximately 72 per cent above that reported in the preceding month. Shipments also followed a seasonal trend, although the decline of 24 per cent was considerably larger than average. Both volumes were much heavier than a year ago, the favorable margin in this comparison amounting to 40 per cent for orders and 50 per cent for shipments. As the volume of orders booked greatly exceeded shipments, and cancellations were light, unfilled order files at the close of January were almost twice those of a month earlier. The ratio of this item to that of current orders was 88 per cent in January, as against 76 per cent in December and 82 per cent in January 1935. Operations during the month averaged 57 per cent of capacity as compared with 63 per cent in December and 50 per cent at the same time a year ago.

SHOE MANUFACTURING, TANNING, AND HIDES

Shoe production in the Seventh district, according to preliminary returns for January, registered the customary slight rise in volume over the preceding month. Operations in the closing month of 1935 followed a normal seasonal trend, falling 7 per cent below those reported for November, but exceeded the corresponding month in 1934 by 17 per cent. For the year 1935 as a whole, production exceeded that of 1934 by 10 per cent. In the tanning industry, production and sales of leather showed practically no change in January, following a moderate decline experienced in December. Prices of leather, which were firm in December, showed a slight tendency to weaken during January, in line with quotations on hides. The movement of packer green hides in the Chicago market was in smaller volume in January than in recent months, but prices held steady until the latter part of the month when a downward trend was shown extending into the early part of February.

Building Materials, Construction Work

The movement of lumber from retail yards in the Seventh district declined sharply in January, dollar sales of this material totaling less than in the preceding month by 36 per cent. This decline was considerably heavier than usual, although a seasonal recession is typical of January in the building materials industry. Total dollar sales at reporting yards, however, showed a 15 per cent increase, the result mainly of the heavy demand for coal because of severe weather. The same

relative trend was shown in the yearly percentage figures which recorded a moderate increase over a year ago in sales of lumber alone as compared with the substantial expansion in sales of all materials handled by these yards. Wholesale and manufacturing distributors of lumber reported a sales gain of slightly more than seasonal proportions and maintained in the aggregate a substantial margin over the corresponding volume of a year ago. Outstanding accounts followed the trend in current sales, increasing at wholesale and decreasing at retail, while the accounts-to-sales ratio was lower in both phases of distribution. Demand for brick and cement was as usual quiet during January, deliveries falling off somewhat more than normally on account of the exceptionally cold weather that prevailed during the latter part of the month. Shipments, however, of both of these materials were heavier than those of a year ago.

BUILDING CONSTRUCTION

Building activity during January, as measured by contracts awarded in the Seventh Federal Reserve district, though declining somewhat from the high point in almost five years recorded during December 1935, remained above any previous month since August 1931. Residential building, which amounted to only 10 per cent of all construction, declined slightly over 2 million dollars from the December volume.

BUILDING CONTRACTS AWARDED* SEVENTH FEDERAL RESERVE DISTRICT

PERIOD	TOTAL CONTRACTS	RESIDENTIAL CONTRACTS
January 1936.....	\$40,364,760	\$4,148,073
Change from December 1935.....	-24%	-33%
Change from January 1935.....	+189%	+136%

*Data furnished by F. W. Dodge Corporation.

Reports on building permits issued in 100 cities of this district showed little change in January from the preceding month in estimated cost of proposed construction, though registering a gain of 164 per cent in the comparison with a year ago. The number of permits issued during January declined 24½ per cent in the monthly comparison, but totaled 25½ per cent greater than in January 1935. The larger cities in the district showed mixed trends in the monthly comparison of estimated cost, Chicago, Milwaukee, and Indianapolis registering increases, while Detroit and Des Moines recorded declines. Chicago, with a decline of 2 per cent, was the only one of the five cities to differ from the district trend in the comparison with last year.

Merchandising

The usual seasonal recessions were followed this January by all wholesale reporting groups except groceries

WHOLESALE TRADE IN JANUARY 1936

COMMODITY	PER CENT CHANGE FROM SAME MONTH LAST YEAR				RATIO OF ACCOUNTS OUTSTANDING TO NET SALES
	NET SALES	STOCKS	ACCOUNTS OUTSTANDING	COLLECTIONS	
Groceries.....	-6.7	-4.4	-8.9	-16.0	97.7
Hardware.....	+17.2	+16.8	+11.7	+25.2	217.5
Drugs.....	-0.5	-2.5	-2.0	+7.9	159.9
Electrical Supplies..	+15.5	+13.8	+3.8	+31.5	161.4

DEPARTMENT STORE TRADE IN JANUARY 1936

LOCALITY	PER CENT CHANGE JANUARY 1936 FROM JANUARY 1935		RATIO OF JANUARY COLLECTIONS TO ACCOUNTS OUTSTANDING END OF PRECEDING MONTH	
	NET SALES	STOCKS END OF MONTH	1936	1935
Chicago.....	+4.3	-3.3	34.6	37.8
Detroit.....	+4.8	+12.4	48.8	50.9
Indianapolis.....	-3.6	+4.1	47.9	48.0
Milwaukee.....	+6.2	+2.4	41.9	44.0
Other Cities.....	+5.9	+7.9	36.7	36.6
7th District.....	+4.2	+1.9	41.4	43.1

fig- which showed a counter-seasonal gain over December. Sales in the latter line increased 5 per cent, which gain compared with an average decline of 5 per cent; drug sales receded one per cent, which decline was average for the period. Hardware and electrical supply sales decreased more than seasonally—28 and 32 per cent, respectively, as against ten-year average recessions of 22 and 27 per cent. As compared with a year ago, sales in hardware and electrical supplies increased 17 and 16 per cent, respectively; drug sales declined fractionally; and the grocery trade was 7 per cent smaller, the latter decline constituting the third consecutive one in the comparison. With the exception of drugs, stocks on hand were heavier at the end of January than a month earlier. Higher ratios of accounts receivable to sales were reported for January as compared with December in hardware and electrical supplies, while in groceries and drugs the ratios were lower.

In spite of unfavorable weather, aggregate sales of department stores in the Seventh district during the first month of 1936 continued to exceed the volume of the corresponding month a year previous. The increase of 4 per cent, however, was smaller than in the yearly comparison for the last three months of 1935. Among the larger cities, Milwaukee recorded the largest increase—6 per cent above a year ago—and trade in the smaller centers was likewise 6 per cent larger; Detroit sales were 5 per cent higher than in January 1935, and Chicago recorded an increase of 4 per cent, but Indianapolis trade declined 4 per cent in the com-

parison. The recession of 54 per cent shown in the district sales for the current period from December was about average for January. Declines ranged from 53 per cent in Chicago to 57½ per cent in smaller centers. Detroit and Milwaukee each showed a 55 per cent decrease, while Indianapolis trade dropped 54 per cent. Stocks at the end of January 1936 were 7 per cent under those at the close of the year, which decline is heavier than average; they totaled, however, 2 per cent greater in dollar volume than on January 31, 1935.

Sales of shoes by reporting dealers and department stores during January 1936 receded 59 per cent from a month previous, whereas the ten-year average decline is but 51 per cent. Although the recession was heavier than usual, the yearly comparison was favorable, as sales in January totaled 7 per cent above a year ago. Stocks by the end of January had risen to a level 3 per cent above December and 14 per cent heavier than a year earlier.

As in the retail shoe trade, the recession in sales of furniture and house furnishings was greater than average for the period. Total sales of dealers and department stores declined 42 per cent from a month previous as compared with a 34 per cent 1928-1935 average decrease. Nevertheless, sales continued above a year ago, although the increase of 5 per cent was the smallest in the yearly comparison since April 1935 and largely due to relatively heavy increases by department stores as sales by dealers showed a decline of ½ of 1

(Continued at the bottom of page 8)

MONTHLY BUSINESS INDICES COMPUTED BY FEDERAL RESERVE BANK OF CHICAGO

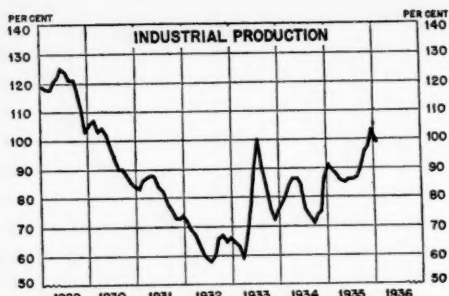
(Index numbers express a comparison of unit or dollar volume for the months indicated, using the monthly average for 1923-1924-1925 as a base, unless otherwise indicated. Where figures for latest month shown are partly estimated on basis of returns received to date, revisions will be given the following month. Data refer to the Seventh Federal Reserve district unless otherwise noted.)

	No. of Firms	Jan. 1936	Dec. 1935	Nov. 1935	Oct. 1935	Sept. 1935	Aug. 1935	Jan. 1935	Dec. 1934	Nov. 1934	Oct. 1934	Sept. 1934	Aug. 1934
Meat Packing—(U. S.)—													
Sales (in dollars).....	47	85	84	88	94	86	84	81	73	71	79	77	75
Casting Foundries—													
Shipments:													
Steel—in Dollars.....	12	42	41	42	47	39	38	31	20	24	27	29	42
In Tons.....	12	42	41	41	47	39	37	30	19	25	26	31	46
Malleable—in Dollars.....	21	52	49	42	45	37	36	37	28	29	26	24	27
In Tons.....	21	78	73	62	66	56	53	59	42	43	38	34	40
Stoves and Furnaces—													
Shipments (in dollars).....	10	93	172	205	258	197	132	59	101	144	192	140	85
Furniture—													
Orders (in dollars).....	12	73	43	56	62	61	61	52	26	35	41	41	39
Shipments (in dollars).....	12	41	53	54	68	64	56	27	31	38	43	40	38
Flour—													
Production (in bbls.).....	19	102	77	86	122	98	94	103	93	101	117	106	102
Output of Butter by Creameries—													
Production.....	59	81	79	74	94	112	132	86	88	98	125	133	182
Sales.....	61	94	102	98	121	107	130	107	116	130	127	120	140
Wholesale Trade—													
Net Sales (in dollars):													
Groceries.....	28	68	65	69	81	86	77	72	70	73	77	76	78
Hardware.....	11	48	65	75	86	75	71	41	52	57	65	59	57
Drugs.....	12	73	74	72	81	76	77	74	67	69	77	68	69
Retail Trade (Dept. Stores)—													
Net Sales (in dollars):													
Chicago.....	27	63	133	85	81	73	63	60	123	77	79	75	66
Detroit.....	5	72	153	101	92	110	74	69	139	81	76	98	69
Indianapolis.....	4	67	143	93	101	95	77	70	140	83	85	96	70
Milwaukee.....	5	63	135	94	95	80	69	58	125	83	89	76	63
Other Cities.....	40	57	127	88	85	72	70	54	116	74	75	68	82
Seventh District—Unadjusted.....	81	64	137	90	86	81	68	61	126	78	79	79	66
Adjusted.....	81	80	81	81	78	79	85	77	75	71	72	77	82
Automobile Production—(U. S.)—													
Passenger Cars.....	102	118	116	73	20	62	78	38	17	29	43	63	136
Trucks.....	179	168	158	160	86	153	169	113	92	127	119	136	136
Building Construction—													
Contracts Awarded (in dollars):													
Residential.....	14	21	17	22	21	17	6	5	6	8	8	7	23
Total.....	59	78	43	53	43	42	20	26	22	34	29	23	23
Iron and Steel—													
Pig Iron Production*:													
Illinois and Indiana.....	77	79	79	71	68	65	51	38	34	33	34	34	42
United States.....	67	69	70	65	60	58	49	34	33	31	31	31	35
Steel Ingot Production—(U. S.)*.....	85	93	91	87	85	81	80	59	47	41	38	38	38

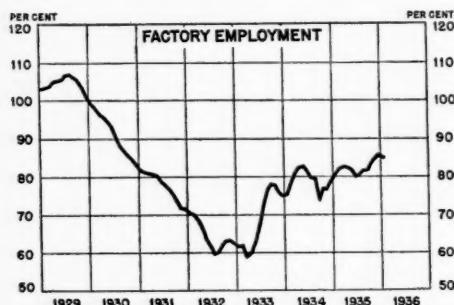
*Average daily production.

NATIONAL SUMMARY OF BUSINESS CONDITIONS

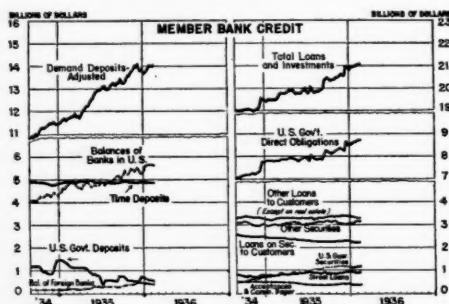
(By the Board of Governors of the Federal Reserve System)



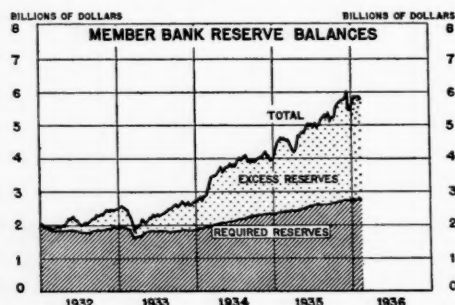
Index of physical volume of production, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to January 1936.



Index of number employed, adjusted for seasonal variation, 1923-1925 average=100. By months, January 1929 to January 1936.



Wednesday figures for reporting member banks in 101 leading cities. September 5, 1934, to February 12, 1936.



Wednesday figures of total member bank reserve balances at Federal Reserve banks, with estimates of required and excess reserves, January 6, 1932, to February 19, 1936.

TOTAL volume of industrial production increased in January, but, owing to a decline in activity in the automobile and allied industries from an exceptionally high level in December, the increase was less than is usual at this season.

PRODUCTION AND EMPLOYMENT

Total output at factories increased by a smaller amount than is usual in January, while output at mines showed a seasonal increase. The Board's combined index of industrial production, which makes allowance for seasonal changes, declined from 104 per cent of the 1923-1925 average in December to 99 per cent in January. This decrease reflected chiefly sharp reductions in output of steel and of automobiles from the high levels reached in December. In the first three weeks of February the average rate of operations at steel mills showed a smaller increase over the January average than is usual, and at automobile factories output was estimated to be at a lower level than in January. Smaller than seasonal increases in activity were reported at textile mills and at shoe factories, while output of food products was in considerably larger volume in January than a month earlier.

Factory employment showed a small seasonal decrease between the middle of December and the middle of January. At automobile factories the number of workers, which usually increases at this season, was unchanged, and at textile mills employment declined. Factory payrolls decreased by more than the usual amount.

Value of construction contracts awarded, as reported by the F. W. Dodge Corporation, was smaller in January than in December. Awards for publicly-financed projects decreased from the relatively high December figure, and there was a seasonal decline in contracts for residential construction.

DISTRIBUTION

Retail trade was reduced more than seasonally in January, reflecting in part the influence of unusually severe weather. Sales by department stores, variety stores, and mail-order houses all declined by more than the usual seasonal amount. Freight-car loadings showed little change; loadings of coal increased considerably, while rail shipments of miscellaneous freight declined.

COMMODITY PRICES

The general level of wholesale commodity prices continued to show little change during January and the first three weeks of February. Prices of cotton, textiles, flour, wheat, and silk declined, while prices of hogs, petroleum, coffee, and rubber increased considerably. Retail prices of foods decreased somewhat during January.

BANK CREDIT

Excess reserves of member banks fluctuated between January 22 and February 19 near a \$3,000,000,000 level, changes reflecting principally fluctuations in Treasury holdings of cash and deposits with Federal Reserve banks.

Investments of weekly reporting member banks in leading cities increased by \$300,000,000 in the four weeks ending February 12, and reached the largest amount ever held by these banks, while loans decreased by \$130,000,000. Holdings of United States Government obligations increased by \$140,000,000, holdings of obligations guaranteed by the Government by \$50,000,000, and other securities by \$110,000,000.

Adjusted demand deposits of reporting member banks, which declined somewhat from the middle of December to the middle of January, increased by \$290,000,000 in the four weeks ending February 12, while United States Government deposits declined by \$150,000,000.

Merchandising—Continued

per cent in the aggregate. Stocks at the end of January exceeded those of January 1935 by 7 per cent but were $2\frac{1}{2}$ per cent under those at the close of December.

With all reporting groups recording declines, aggregate

January sales of 11 chains operating 2,711 stores in the month receded 44 per cent from a month previous. In the yearly comparison, sales totaled 5 per cent in excess of a year ago; all groups, which include five-and-ten cent store, drug, grocery, cigar, and musical instruments, shared in the gain.

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